GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:597
ANSWERED ON:03.12.2004
TAX GDP RATIO
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Will the Minister of FINANCE be pleased to state:

(a) whether Tax GDP ratio is very low in the country in comparison to other neighbouring and developed countries;

(b) the Tax-GDP ratio during the last three years, year-wise and how does it compare with the neighbouring countries and major developed countries; and

(c) the steps being taken or proposed to be taken to raise the Tax-GDP ratio in the coming years?

Answer

MINISTER OF STATE IN THE MINISTRY FINANCE (SHRI S.S. PALANIMANICKAM)

(a) & (b): The tax revenue-GDP ratios of Central Governments of select neighbouring and developed countries, including India as given in the World Bank document `World Development Indicators` are as under:

Tax revenue as per cent of GDP

Country	2000	2001	2002
Australia	21.9	22.0	-
Bangladesh	7.0	7.0	-
China	6.8	6.8	-
India	9.6	10.0	9.9
Indonesia	16.5	13.2	13.6
Pakistan	12.1	12.4	12.9
Sri Lanka	14.5	14.6	14.5
Thailand	14.1	14.5	14.4
United Kingdom	34.6	34.3	-
United States	20.1	19.4	17.7

Source: World Bank - World Development Indicators 2002, 2003 and 2004

(c): The Government has taken a number of steps to broaden the tax base and improve compliance through rationalisation and simplification of procedures. The National Common Minimum Programme commits the Central Government to increase the tax-GDP ratio by undertaking major tax reforms that further expand the base of tax payers, increase tax compliance and make tax administration more efficient. Tax measures proposed in the Union Budget for 2004-05 presented to Parliament on July 8, 2004 include, inter alia, taxation of gifts from unrelated persons, above the threshold limit of Rs.25,000, extension of service tax to more services and increase in the rate of service tax from 8 per cent to 10 per cent and levy of education cess. The Budget Estimates for 2004-05 indicate an improvement in tax-GDP ratio from 9.2 per cent in 2003-04(RE) to 10.2 per cent.